

# State Health Care Expenditures: Experience from 2004

Maryland Health Care Commission

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# Presentation Organization

- Background
- Major Findings
- How Much Was Spent?
- Who Paid?
- Spending by Payer and Service
- Conclusions

# Background

MHCC is required to report annually on total health spending overall and for specific categories of providers.

- **Service Categories** (rows): Hospital (in-patient and outpatient), physician, non-physician professional, prescription drugs, home health, nursing home, other services (DME and vision), payer administrative expenses and net cost of private insurance.
- **Payer Types** (columns): Medicare, Medicaid, other government, Private third parties, and patient out-of-pocket.

Technical changes have improved estimates

- Refined methodology to distribute private insurer and out-of-pocket spending using Medical Expenditure Panel Survey data.
- Established a methodology to forecast future health care spending.

# Major Findings

State spending totaled \$28.8 billion up \$1.9 billion from 2003.

- Spending grew at about 7%, down from last year's 8%.
- Per capita spending in the state grew 6%.

Maryland's 2004 growth rates were fractionally slower than National Health Expenditure projected rates of increase.

- Projected NHE grew by just over 8% overall and by 7% per capita.

# Overview (Provider Perspective)

Health care service sector per capita increases ranged from 4-9%.

These growth rates were more closely clustered than in previous years.

- Hospital care was the fastest growing sector: outpatient = 9%, inpatient = 8%.
- Home health and other services (combined) climbed by 7%.

Hospital, physician and other professional care, and prescriptions accounted for 78% of total spending.

- Hospital services accounted for 33% of the total, physician services about 17% , other professional services and Rx each about 14%.
- The Rx share has climbed steadily; by 2006 it is projected to account for 15% of total spending.

Increased hospital spending accounted for 45% of \$1.9 billion spending increase: inpatient = almost 33%, outpatient = 13%.

No other sector accounted for more than 13 percent of the increase.

# Overview (Payer Perspective)

Medicare expenditures grew at just under 12%.

- Faster than overall program growth nationwide (also true in 2003)
- Medicare accounted for 20% of total spending, but 34% of total growth in 2004

Medicaid climbed by nearly 8% or about \$360 million.

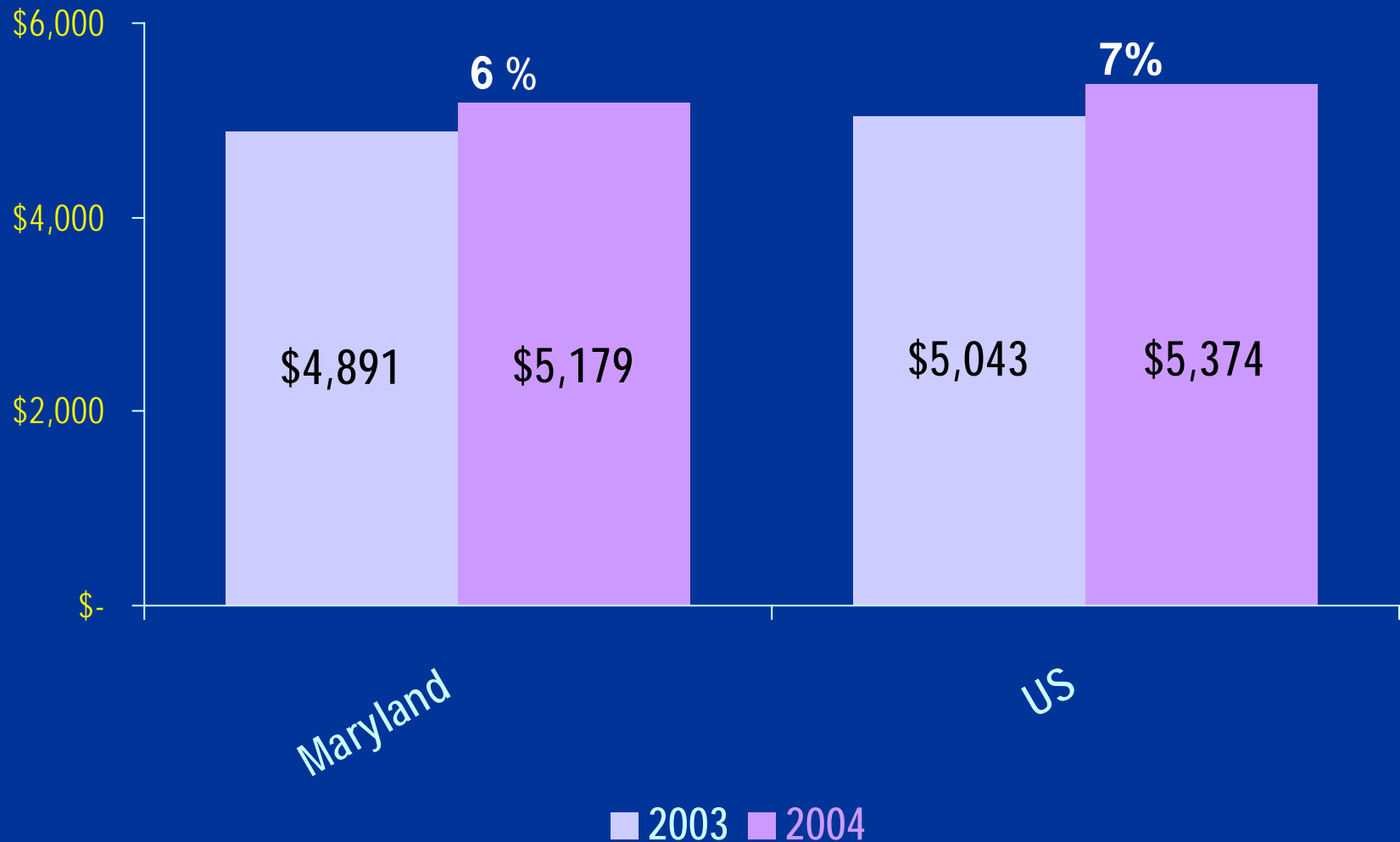
- Fueled by growth in enrollment and payment rate adjustments.
- Increases in Home Health (14%) and Rx (9%) were strong.

Private third party and out-of-pocket spending grew by about 5% and 6%, respectively.

- Growth in OOP was slowest in 4 years.
- Enrollment in private health plans was stable from 2003 to 2004.
- Administrative expenses declined slightly, due to payer consolidation & slowing of HIPAA conversion expenses

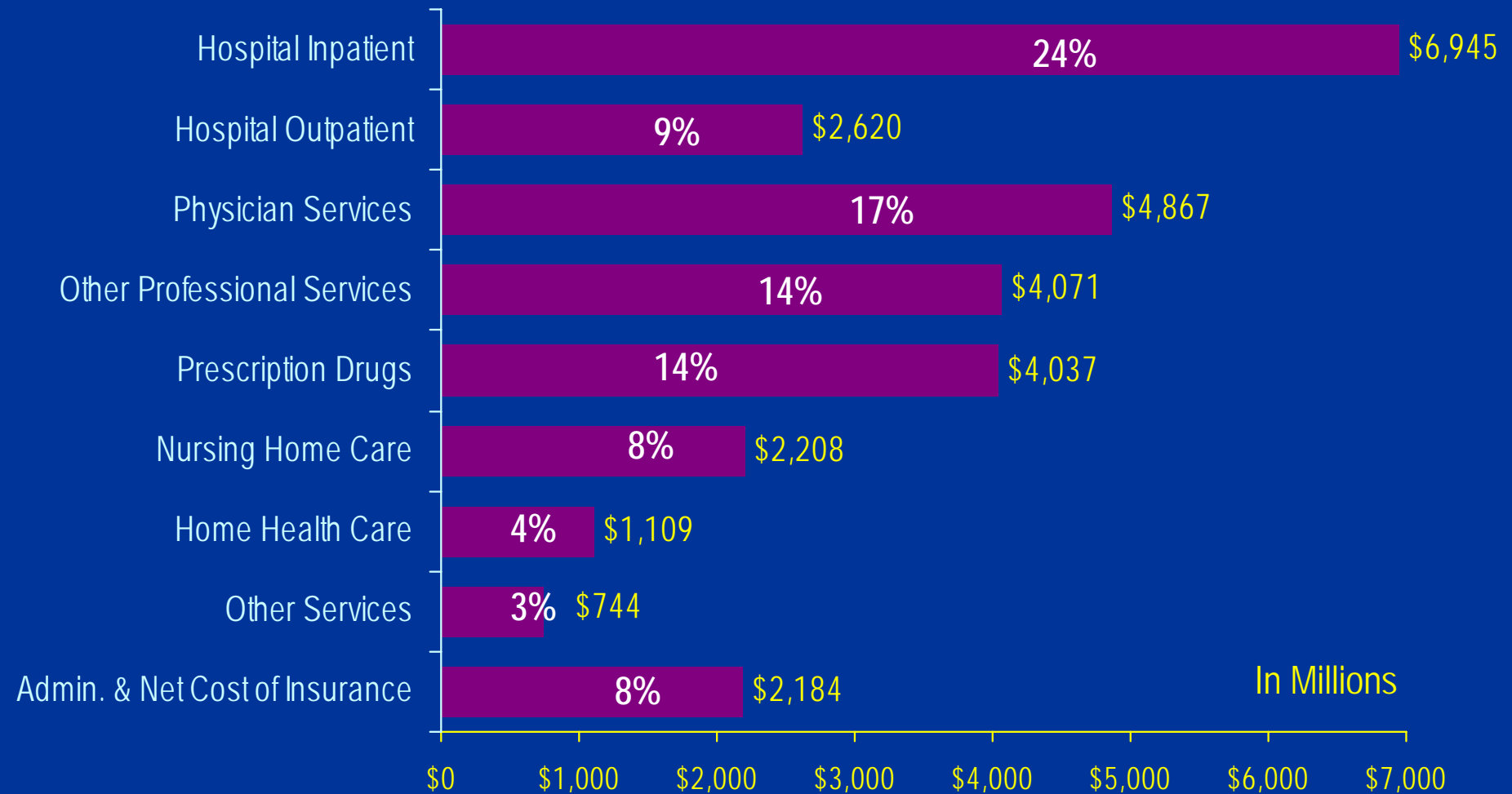
How Much Was Spent?

# \$28.8 Billion or about \$5,179 Per Capita Spent in 2004.



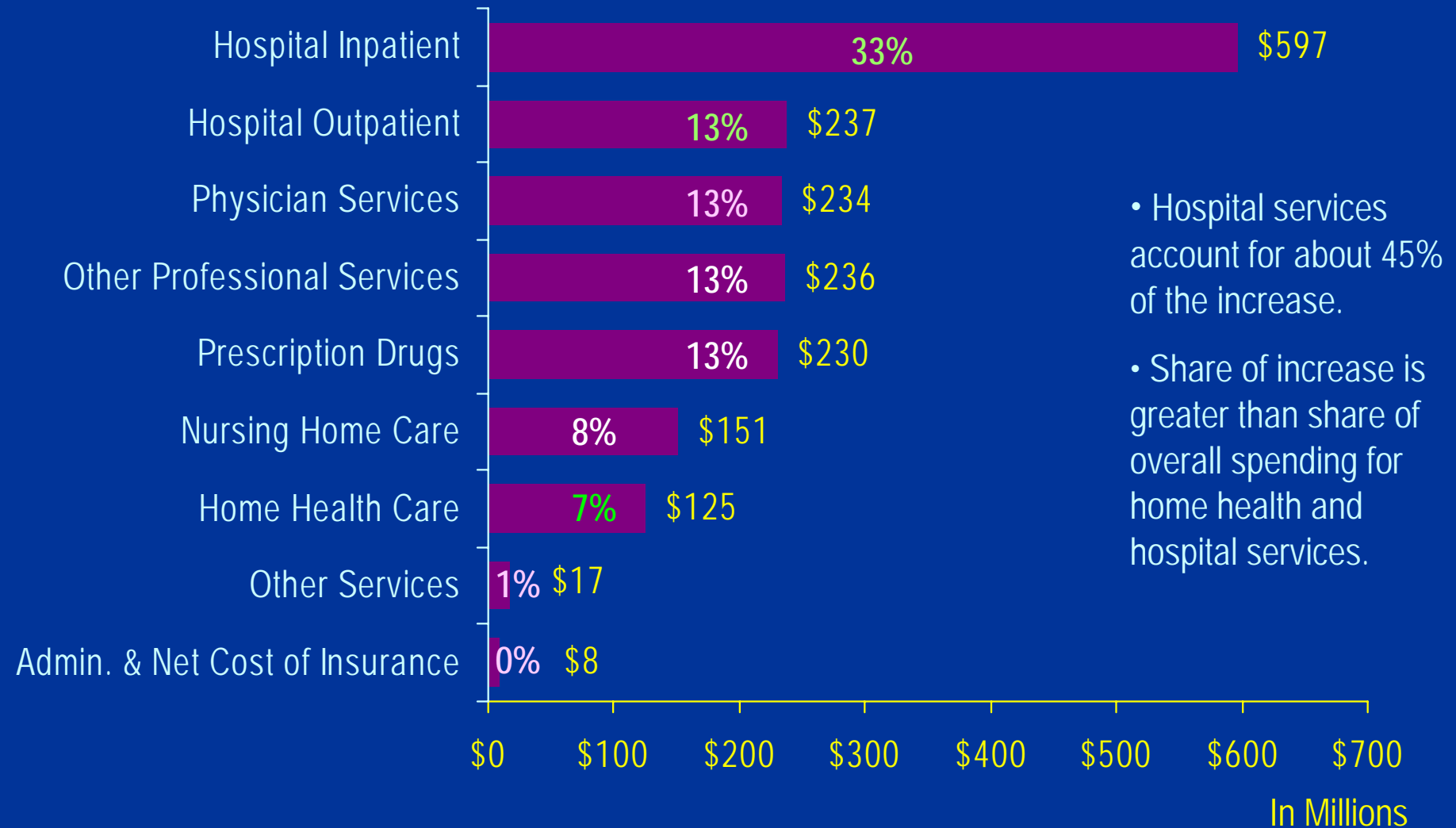


# Where did Maryland's \$28.8 billion in health care spending go in 2004?



Note %s represent the share of total spending.

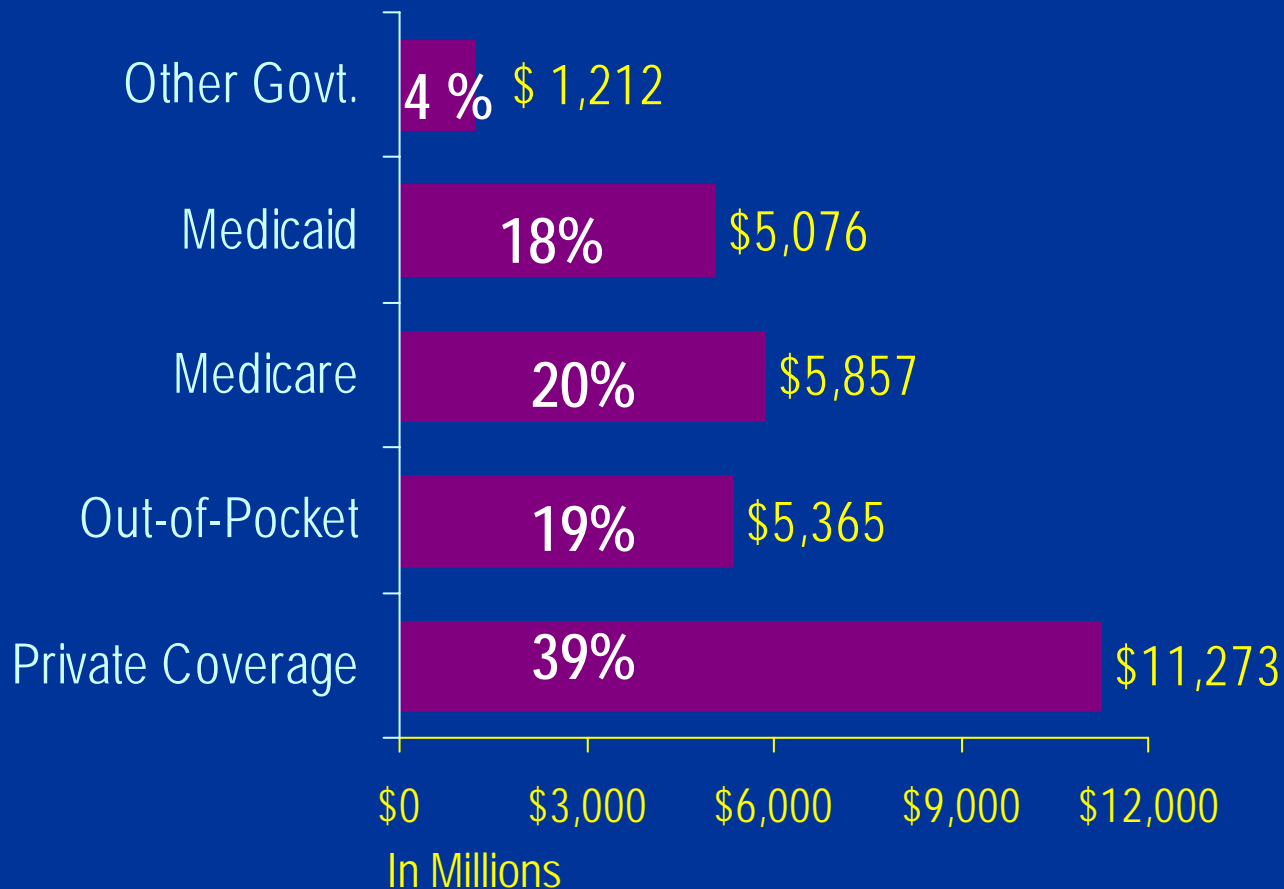
# How was the \$1.9 billion in increased spending distributed?



Note %s represent the share of total spending.

Who Paid?

# Who paid for the \$28.8 billion in health care spending in Maryland in 2004?

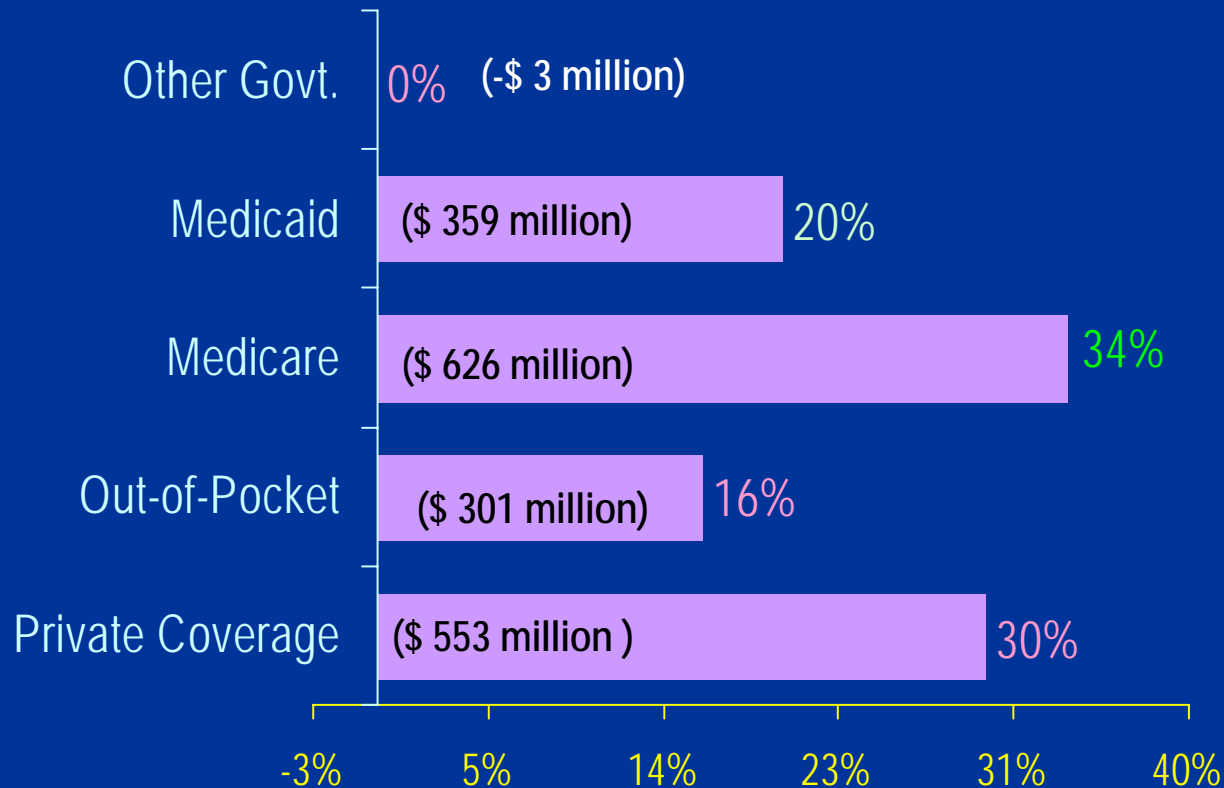


- Government paid for 41% of state health care; share is comparable to US.

- Medicare & Medicaid together account for about the same share of spending as all third-party, private coverage.

- Out-of-pocket accounts for about 19% of spending. Share is essentially stable from 2003, after OOP share increased between 1999-2002.

# Who funded the \$1.9 billion in increased spending?

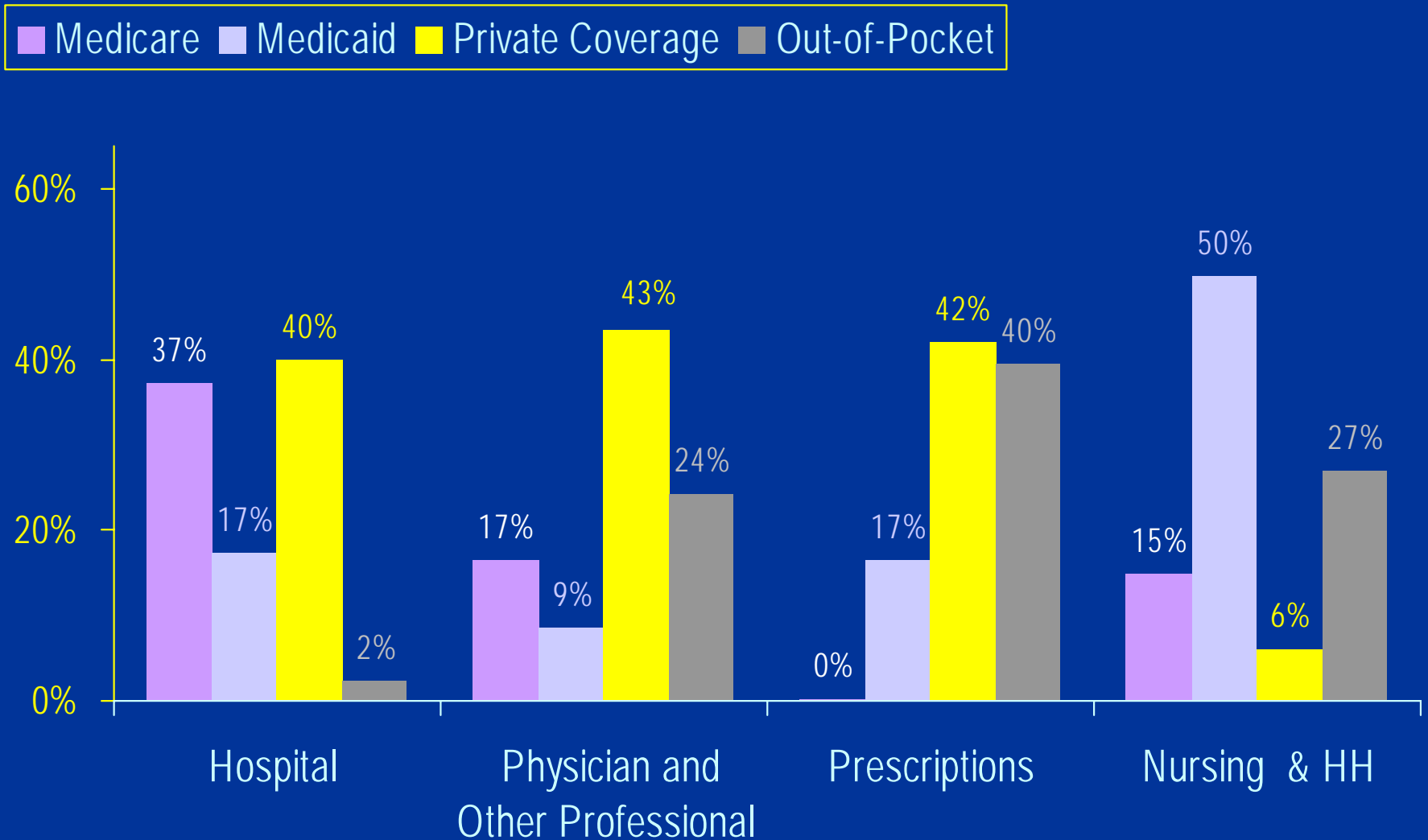


- 64% of growth in Medicare was due to increased hospital spending. Medicare inpatient hospital spending increased by 13 percent.

- Increased HH spending accounted for 34 percent of Medicaid growth. HH spending under Medicaid grew by 14% due to several new home health waivers & higher enrollments in existing waivers.

- Out-of-pocket spending growth was lower than in 2003. OOP Rx growth fell to 6% (10% in 2003). But OOP hospital spending jumped by over 10%, probably due to increased cost-sharing in private plans.

# Who Pays for the Major Service Categories?



Note: The service category will not sum to 100% because other government payers are not shown.

# Conclusions

Rate of growth in health care spending is continuing to slow.

Growth rate for Maryland spending tracks just below national cost trends.

Hospitals saw strong growth, Medicare absorbed the bulk of the new hospital spending.

Growth rate for prescription drug spending was down significantly (1/3) from 2003.

Medicare spending grew more rapidly than other payers and more rapidly than the program nationwide.

Virtually no growth in administrative expenses: Incentives to build surplus may be weakening

Slowing expenditure growth may mean that purchasers and consumers will see more slowing in premium rate increases. (Studies done by Milliman USA and others suggest an 18 month lag between health care cost changes and changes in premiums.)